

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7282

BILL NUMBER: SB 512

NOTE PREPARED: Jan 21, 2011

BILL AMENDED:

SUBJECT: Annual Utility Rate Reviews.

FIRST AUTHOR: Sen. Merritt

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ___ GENERAL
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill authorizes certain utilities to elect to have an annual rate review. It establishes the timing and form of the election. The bill requires a utility that elects to have annual rate review to submit an annual forecast report and an annual reconciliation report. It specifies the contents of the reports. The bill provides that an interested party may request an evidentiary hearing before the Indiana Utility Regulatory Commission approves an election or an annual reconciliation report. This bill also provides that certain rate adjustment mechanisms may be suspended during the period in which an election is in effect. It makes conforming amendments.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission (IURC):* This bill would increase the administrative and personnel expenditures of the IURC. This bill authorizes certain utilities to elect to have an annual rate review. It also establishes the timing and form of the election. The IURC reports that this bill creates a regulatory option that significantly deviates from historic practice. The IURC also reports that the current frequency of rate cases varies a lot, but on average utilities petition to the IURC for rate adjustments every 3 years to 5 years.

The exact impact on expenditures is indeterminable because it is unclear how many regulated utilities would elect to have annual rate reviews. The IURC would require additional staff and likely additional resources for an outside consultant to implement the provisions of this bill.

Background on IURC Funding : The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, less

reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.11% of their gross intra-state operating revenues to fund the IURC. Statue requires that 1/4 of the annual fee must be paid to the IURC by July 1st of the year in which the fee is imposed and 1/4 on the first day of each of the months of October, January and April following immediately thereafter.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IURC.

Local Agencies Affected: Municipally owned utilities.

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